

Audited  
Financial  
Statements

December 31,  
2022

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# Borough of Orwigsburg

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## **INDEPENDENT AUDITOR'S REPORT**

Borough Council  
Borough of Orwigsburg  
Orwigsburg, Pennsylvania

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough of Orwigsburg's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Orwigsburg, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Changing Accounting Principle***

As discussed in Note 1 to the financial statements, for the year ended December 31, 2022, the Borough adopted new accounting guidance, *GASBS No. 87, Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Orwigsburg, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borough of Orwigsburg, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Orwigsburg, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison and schedules related to pension and OPEB liabilities on Pages 42 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Orwigsburg, Pennsylvania's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Carlisle, Pennsylvania  
July 14, 2023

**BOROUGH OF ORWIGSBURG**  
**Statement of Net Position**  
**December 31, 2022**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,782,464	\$ 790,469	\$ 2,572,933
Taxes receivable, net of allowance	213,791	-	213,791
Accounts receivable, net of allowance	100	472,124	472,224
Escrow receivable	29,570	-	29,570
Leases receivable	24,068	-	24,068
Internal balances	(6,506)	6,506	-
Prepaid expenses	10,734	7,729	18,463
Total current assets	<u>2,054,221</u>	<u>1,276,828</u>	<u>3,331,049</u>
<b>Noncurrent assets</b>			
Leases receivable	73,904	-	73,904
Capital assets not being depreciated			
Land	377,134	84,612	461,746
Construction in progress	1,279,121	2,936,357	4,215,478
Capital assets net of accumulated depreciation/amortization			
Buildings and improvements	909,474	800,875	1,710,349
Land improvements	334,583	-	334,583
Equipment	138,258	191,031	329,289
Recreation assets	99,930	-	99,930
Sewer plant	-	2,790,504	2,790,504
Sewer line improvements	-	797,006	797,006
Vehicles	64,249	44,477	108,726
Water distribution system	-	3,079,099	3,079,099
Right-to-use asset - equipment	1,914	3,828	5,742
Restricted cash	-	3,572,658	3,572,658
Net pension asset	1,558,557	35,959	1,594,516
Total noncurrent assets	<u>4,837,124</u>	<u>14,336,406</u>	<u>19,173,530</u>
Total assets	<u>6,891,345</u>	<u>15,613,234</u>	<u>22,504,579</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension asset	214,176	113,029	327,205
Deferred outflows related to OPEB liability	866	-	866
Total deferred outflows of resources	<u>215,042</u>	<u>113,029</u>	<u>328,071</u>
Total assets and deferred outflows of resources	<u>\$ 7,106,387</u>	<u>\$ 15,726,263</u>	<u>\$ 22,832,650</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 81,287	\$ 166,285	\$ 247,572
Accrued payroll withholdings	40,747	4,057	44,804
Accrued interest payable	3,117	83,101	86,218
Escrow payable	46,691	-	46,691
Unearned revenue	48,273	-	48,273
Long-term liabilities: Due within one year			
Bonds and notes payable, net	713,975	345,714	1,059,689
Lease obligations	532	1,064	1,596
Compensated absences	58,414	40,522	98,936
Total current liabilities	<u>993,036</u>	<u>640,743</u>	<u>1,633,779</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	435,068	10,246,701	10,681,769
Compensated absences	58,414	40,522	98,936
Lease obligations	1,432	2,864	4,296
Total OPEB liability	59,284	-	59,284
Total noncurrent liabilities	<u>554,198</u>	<u>10,290,087</u>	<u>10,844,285</u>
Total liabilities	<u>1,547,234</u>	<u>10,930,830</u>	<u>12,478,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to leases receivable	92,827	-	92,827
Deferred inflows related to pension asset	635,912	238,071	873,983
Deferred inflow related to OPEB liability	7,994	-	7,994
Total deferred inflows of resources	<u>736,733</u>	<u>238,071</u>	<u>974,804</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,053,656	3,704,104	5,757,760
Restricted	1,530,924	-	1,530,924
Unrestricted	<u>1,237,840</u>	<u>853,258</u>	<u>2,091,098</u>
Total Net Position	<u>4,822,420</u>	<u>4,557,362</u>	<u>9,379,782</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,106,387</u>	<u>\$ 15,726,263</u>	<u>\$ 22,832,650</u>

**BOROUGH OF ORWIGSBURG**  
**Statement of Activities**  
**Year Ended December 31, 2022**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 346,597	\$ 126,778	\$ 109,453	\$ -	\$ (110,366)	\$ -	\$ (110,366)
Public safety	723,280	42,852	24,288	-	(656,140)	-	(656,140)
Public works - highways	508,527	10,194	103,765	-	(394,568)	-	(394,568)
Culture and recreation	277,333	-	155,469	56,000	(65,864)	-	(65,864)
Interest expense	<u>19,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,327)</u>	<u>-</u>	<u>(19,327)</u>
Total governmental activities	<u>1,875,064</u>	<u>179,824</u>	<u>392,975</u>	<u>56,000</u>	<u>(1,246,265)</u>	<u>-</u>	<u>(1,246,265)</u>
Business-type activities							
Water	728,782	795,323	-	-	-	66,541	66,541
Sewer	805,245	872,986	-	-	-	67,741	67,741
Sanitation	<u>397,859</u>	<u>388,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,187)</u>	<u>(9,187)</u>
Total business-type activities	<u>1,931,886</u>	<u>2,056,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,095</u>	<u>125,095</u>
 Total primary government	 <u>\$ 3,806,950</u>	 <u>\$ 2,236,805</u>	 <u>\$ 392,975</u>	 <u>\$ 56,000</u>	 <u>(1,246,265)</u>	 <u>125,095</u>	 <u>(1,121,170)</u>
<b>General revenues and transfers:</b>							
Taxes:							
Property taxes, levied for general purposes					738,373	-	738,373
Fire tax					69,365	-	69,365
Real estate transfer tax					84,161	-	84,161
Earned income tax					522,610	-	522,610
Other taxes					102,081	-	102,081
Investment earnings					9,114	71,487	80,601
Miscellaneous income					5,540	1,751	7,291
Gain (loss) on disposal of capital asset					90,000	(320,163)	(230,163)
Transfers					<u>(82,775)</u>	<u>82,775</u>	<u>-</u>
Total general revenues and transfers					<u>1,538,469</u>	<u>(164,150)</u>	<u>1,374,319</u>
 Change in net position					292,204	(39,055)	253,149
Net position - beginning, as restated					<u>4,530,216</u>	<u>4,596,417</u>	<u>9,126,633</u>
Net position - ending					<u>\$ 4,822,420</u>	<u>\$ 4,557,362</u>	<u>\$ 9,379,782</u>

**BOROUGH OF ORWIGSBURG**  
**Balance Sheet – Governmental Funds**  
**December 31, 2022**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 251,232	\$ 1,403,066	\$ 128,166	\$ 1,782,464
Taxes receivable, net	210,188	-	3,603	213,791
Escrows receivable	29,570	-	-	29,570
Leases receivable	97,972			97,972
Other receivables	100			100
Due from other funds	300	-	28	328
Prepaid items	10,734	-	-	10,734
Total assets	<u>\$ 600,096</u>	<u>\$ 1,403,066</u>	<u>\$ 131,797</u>	<u>\$ 2,134,959</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 75,823	\$ 8,581	\$ -	\$ 84,404
Escrows payable	46,691	-	-	46,691
Due to other funds	6,834	-	-	6,834
Accrued wages, benefits and withholdings	40,747	-	-	40,747
Unearned revenue	48,273	-	-	48,273
Total liabilities	<u>218,368</u>	<u>8,581</u>	<u>-</u>	<u>226,949</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases	92,827	-	-	92,827
Unavailable tax revenue	57,945	-	1,617	59,562
Total deferred inflow of resources	<u>150,772</u>	<u>-</u>	<u>1,617</u>	<u>152,389</u>
<b>FUND BALANCES</b>				
Nonspendable	10,734	-	-	10,734
Restricted	6,259	1,394,485	130,180	1,530,924
Committed	87,086	-	-	87,086
Unassigned	126,877	-	-	126,877
Total fund balances	<u>230,956</u>	<u>1,394,485</u>	<u>130,180</u>	<u>1,755,621</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 600,096</u>	<u>\$ 1,403,066</u>	<u>\$ 131,797</u>	<u>\$ 2,134,959</u>



**BOROUGH OF ORWIGSBURG****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
December 31, 2022**

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**Total fund balance - governmental funds** \$ 1,755,621

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Cost of assets	4,829,565	
Accumulated depreciation/amortization	<u>(1,624,902)</u>	
		3,204,663

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statement.

59,562

Long-term liabilities are not due and payable in the current period and are not included in the fund balance sheet, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Note payable	(1,149,043)	
Compensated absences	(116,828)	
Lease obligations	(1,964)	
Net pension asset (liability)	1,558,557	
Deferred outflows related to pension asset	214,176	
Deferred inflows related to pension asset	(635,912)	
Total OPEB liability	(59,284)	
Deferred outflows related to OPEB liability	866	
Deferred inflows related to OPEB liability	<u>(7,994)</u>	
		<u>(197,426)</u>

**Total net position - governmental activities** \$ 4,822,420

**BOROUGH OF ORWIGSBURG**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2022**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,443,588	\$ -	\$ 69,449	\$ 1,513,037
Licenses and permits	68,353	-	-	68,353
Local support	2,050	56,000	-	58,050
Fines and forfeits	36,342	-	-	36,342
Interest and rents	50,727	2,503	38	53,268
Intergovernmental	266,639	-	126,003	392,642
Charges for services	30,275	-	-	30,275
Miscellaneous	5,081	90,100	-	95,181
Total revenues	<u>1,903,055</u>	<u>148,603</u>	<u>195,490</u>	<u>2,247,148</u>
<b>EXPENDITURES</b>				
General government	374,989	346,062	437	721,488
Public safety				
Police department	684,643	47,831	-	732,474
Emergency services	35,000	-	27,608	62,608
Planning and zoning	54,950	-	-	54,950
Public works				
Highways	419,743	600	122,893	543,236
Other	12,681	-	-	12,681
Culture and recreation	939,223	47,070	-	986,293
Debt service	31,808	9,138	-	40,946
Total expenditures	<u>2,553,037</u>	<u>450,701</u>	<u>150,938</u>	<u>3,154,676</u>
Excess (deficiency) of revenues over expenditures	<u>(649,982)</u>	<u>(302,098)</u>	<u>44,552</u>	<u>(907,528)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	659	-	-	659
Proceeds from long-term debt	691,000	425,000	-	1,116,000
Note issue costs	-	(6,578)	-	(6,578)
Transfers in	40,250	122,849	-	163,099
Transfers out	(147,849)	(98,025)	-	(245,874)
Total other financing sources (uses)	<u>584,060</u>	<u>443,246</u>	<u>-</u>	<u>1,027,306</u>
Net change in fund balances	(65,922)	141,148	44,552	119,778
Fund balances - beginning, as restated	<u>296,878</u>	<u>1,253,337</u>	<u>85,628</u>	<u>1,635,843</u>
Fund balances - ending	<u>\$ 230,956</u>	<u>\$ 1,394,485</u>	<u>\$ 130,180</u>	<u>\$ 1,755,621</u>

**BOROUGH OF ORWIGSBURG**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**Year Ended December 31, 2022**

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**Net change in fund balances - total governmental funds** \$ 119,778

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period:

Depreciation/amortization expense	(158,250)	
Capital outlays	<u>1,255,055</u>	1,096,805

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

<u>2,236</u>	2,236
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Governmental funds report the issuance of debt as current financial resources and the payment of debt principal as an expenditure. In contrast, the Statement of Activities treats such issuance/repayments as additions/reduction in long-term liabilities:

Issuance of long term obligation	(1,116,000)	
Repayment of lease obligations - principal	510	
Repayment of long term obligations	<u>21,711</u>	(1,093,779)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension asset/(liability) and related deferred outflows and inflows	180,975	
Total OPEB liability	(62)	
Compensated absences	<u>(13,749)</u>	167,164

**Change in net position - governmental activities** \$ 292,204

**BOROUGH OF ORWIGSBURG**  
**Statement of Net Position – Proprietary Funds**  
**December 31, 2022**

	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Sanitation</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 507,777	\$ 248,598	\$ 34,094	\$ 790,469
Accounts receivable, net	242,042	211,314	18,768	472,124
Due from other funds	-	2,310,860	-	2,310,860
Prepaid expenses	3,581	3,637	511	7,729
Total assets	<u>753,400</u>	<u>2,774,409</u>	<u>53,373</u>	<u>3,581,182</u>
<b>Noncurrent assets</b>				
Capital assets not being depreciated:				
Construction in progress	2,934,757	1,600	-	2,936,357
Land	39,532	45,080	-	84,612
Capital assets being depreciated/amortized:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	215,221	163,022	-	378,243
Sewer plant	7,431,425	-	-	7,431,425
Vehicles	44,854	46,854	-	91,708
Water distribution system	-	8,656,290	-	8,656,290
Right-to-use asset - equipment	2,474	2,474	-	4,948
Less accumulated depreciation/amortization	(4,941,578)	(5,526,146)	-	(10,467,724)
Net pension asset	11,063	20,328	4,568	35,959
Restricted cash	3,572,658	-	-	3,572,658
Total noncurrent assets	<u>10,922,336</u>	<u>3,409,502</u>	<u>4,568</u>	<u>14,336,406</u>
Total assets	<u>11,675,736</u>	<u>6,183,911</u>	<u>57,941</u>	<u>17,917,588</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension asset	35,737	62,552	14,740	113,029
Total assets and deferred outflows of resources	<u>\$ 11,711,473</u>	<u>\$ 6,246,463</u>	<u>\$ 72,681</u>	<u>\$ 18,030,617</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 136,070	\$ 28,549	\$ 1,666	\$ 166,285
Accrued wages payable	2,544	1,513	-	4,057
Accrued interests payable	52,283	30,818	-	83,101
Due to other funds	2,304,354	-	-	2,304,354
Long-term liabilities: Due within one year				
Bonds and notes payable, net	193,521	152,193	-	345,714
Compensated absences	16,542	16,542	7,438	40,522
Lease obligations	532	532	-	1,064
Total current liabilities	<u>2,705,846</u>	<u>230,147</u>	<u>9,104</u>	<u>2,945,097</u>
<b>Noncurrent liabilities</b>				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	6,372,815	3,873,886	-	10,246,701
Compensated absences	16,542	16,542	7,438	40,522
Lease obligations	1,432	1,432	-	2,864
Total noncurrent liabilities	<u>6,390,789</u>	<u>3,891,860</u>	<u>7,438</u>	<u>10,290,087</u>
Total liabilities	<u>9,096,635</u>	<u>4,122,007</u>	<u>16,542</u>	<u>13,235,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension asset	93,708	118,474	25,889	238,071
<b>NET POSITION</b>				
Net investment in capital assets	2,980,022	724,082	-	3,704,104
Unrestricted	(458,892)	1,281,900	30,250	853,258
Total net position	<u>2,521,130</u>	<u>2,005,982</u>	<u>30,250</u>	<u>4,557,362</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,711,473</u>	<u>\$ 6,246,463</u>	<u>\$ 72,681</u>	<u>\$ 18,030,617</u>

**BOROUGH OF ORWIGSBURG**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position –**  
**Proprietary Funds**  
**Year Ended December 31, 2022**

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 872,986	\$ 795,323	\$ 388,672	\$ 2,056,981
Total operating revenues	872,986	795,323	388,672	2,056,981
<b>OPERATING EXPENSES</b>				
Personal services	82,453	161,242	23,859	267,554
Contractual and professional services	69,947	101,393	363,571	534,911
Maintenance	72,687	28,416	-	101,103
Supplies and administrative expense	62,542	77,226	10,429	150,197
Insurance premiums	8,698	10,672	-	19,370
Utilities	54,834	35,407	-	90,241
Depreciation	207,521	258,097	-	465,618
Total operating expenses	558,682	672,453	397,859	1,628,994
Operating income (loss)	314,304	122,870	(9,187)	427,987
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	71,416	71	-	71,487
Other nonoperating revenues	1,425	326	-	1,751
Gain/(loss) on sale of capital assets	(320,163)	-	-	(320,163)
Bad debt expense	(4,000)	-	-	(4,000)
Interest expense	(242,563)	(56,329)	-	(298,892)
Total nonoperating revenues (expenses)	(493,885)	(55,932)	-	(549,817)
Income (loss) before transfers	(179,581)	66,938	(9,187)	(121,830)
Transfers in	2,028,208	2,266,618	53,000	4,347,826
Transfers out	(2,064,878)	(2,200,173)	-	(4,265,051)
Change in net position	(216,251)	133,383	43,813	(39,055)
Total net position - beginning, as restated	2,737,381	1,872,599	(13,563)	4,596,417
Total net position - ending	\$ 2,521,130	\$ 2,005,982	\$ 30,250	\$ 4,557,362

**BOROUGH OF ORWIGSBURG**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2022**

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 872,983	\$ 796,562	\$ 382,645	\$ 2,052,190
Payments to suppliers for goods and services	(180,320)	(240,031)	(372,799)	(793,150)
Payments to and on behalf of employees	(98,965)	(200,303)	(32,378)	(331,646)
Payments for interfund services used	-	-	-	-
Net cash provided by operating activities	<u>593,698</u>	<u>356,228</u>	<u>(22,532)</u>	<u>927,394</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from issuance of debt	-	-	-	-
Acquisition/construction of capital assets	(2,141,562)	(157,180)	-	(2,298,742)
Principal paid on lease obligations	(3,971)	(3,971)	-	(7,942)
Principal paid on long-term debt	(171,051)	(138,949)	-	(310,000)
Interest and capital charges on fiscal debt	(293,948)	(44,797)	-	(338,745)
Net cash provided (used) by capital and related financing activities	<u>(2,610,532)</u>	<u>(344,897)</u>	<u>-</u>	<u>(2,955,429)</u>
<b>Cash flows from non-capital financing activities</b>				
Transfer to other funds	-	(2,200,173)	-	(2,200,173)
Transfer from other funds	-	<u>2,266,618</u>	<u>53,000</u>	<u>2,319,618</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>66,445</u>	<u>53,000</u>	<u>119,445</u>
<b>Cash flows from investing activities</b>				
Interest and dividend received	<u>71,416</u>	<u>71</u>	<u>-</u>	<u>71,487</u>
Net cash provided by investing activities	<u>71,416</u>	<u>71</u>	<u>-</u>	<u>71,487</u>
Net increase (decrease) in cash and cash equivalents	(1,945,418)	77,847	30,468	(1,837,103)
Cash and cash equivalents - beginning of the year	<u>6,025,853</u>	<u>207,421</u>	<u>3,626</u>	<u>6,236,900</u>
Cash and cash equivalents - end of the year	<u>\$ 4,080,435</u>	<u>\$ 285,268</u>	<u>\$ 34,094</u>	<u>\$ 4,399,797</u>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents	\$ 507,777	\$ 248,598	\$ 34,094	\$ 790,469
Restricted cash	<u>3,572,658</u>	<u>-</u>	<u>-</u>	<u>3,572,658</u>
	<u>\$ 4,080,435</u>	<u>\$ 248,598</u>	<u>\$ 34,094</u>	<u>\$ 4,363,127</u>
<b>Reconciliation of income (loss) from operations to net cash provided by operating activities</b>				
Operating income (loss)	\$ 314,304	\$ 122,870	\$ (9,187)	\$ 427,987
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	207,521	258,097	-	465,618
Other nonoperating revenues	1,425	326	-	1,751
Other nonoperating expenses	(4,000)			
(Increase) decrease in:				
Accounts receivable	(1,428)	913	(6,027)	(6,542)
Due from other funds	-	(5,000)	-	(5,000)
Prepaid expenses	(353)	(368)	(11)	(732)
Increase (decrease) in:				
Accounts payable	108,227	20,286	1,370	129,883
Due to other funds	(2,204)	(1,837)	(511)	(4,552)
Net pension asset	(29,794)	(39,059)	(8,166)	(77,019)
Net cash provided by operating activities	<u>\$ 593,698</u>	<u>\$ 356,228</u>	<u>\$ (22,532)</u>	<u>\$ 931,394</u>

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Nature of Operations***

The Borough of Orwigsburg, Pennsylvania, operates under a strong council-weak mayor-manager form of government and provides the following services as authorized by the Borough Code: Public Safety – Police and Fire, Highways and Streets, Sanitation, Public Service, Culture – Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Borough of Orwigsburg (the Borough) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

***Reporting Entity***

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Reporting Entity (Continued)***

The following component unit meets the criteria for blended presentation and is included within the reporting entity:

- The Municipal Authority of the Borough of Orwigsburg (the “Authority”) is governed by a board appointed by Borough Council. The Authority owns the sewer plant which services the Borough of Orwigsburg entirely. The Authority was formed for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Authority are operated and maintained by the Borough under the provisions of a long-term capital lease.
- Members of the Authority Board are appointed by the Borough, but the Borough has no power to remove a member of a board of an authority organized under the Municipality Authorities Act. The Authority has no employees. The operation of the sewer system is carried out by Borough employees.
- The activities are reflected in the Enterprise Funds and combined with the Borough sewer fund for reporting purposes.

***Joint Ventures***

**Blue Mountain Recreation Authority**

The Borough is one of ten members participating in the operation of the Blue Mountain Recreation Authority (the “Recreation Authority”). The Recreation Authority is operated, administered, and managed by a joint operating committee consisting of twenty members with two being appointed by the Borough. These members are appointed by their respective governing body and at least one member from each body shall be a member of the governing body appointing them. During 2022, the Borough incurred \$ 52,656 for their share of these services.

***Fund Accounting***

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental Funds are those through which most governmental functions of the Borough are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The Borough reports the following major governmental funds:

***General Fund*** - The General Fund is the general operating fund of the Borough. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

***Capital Reserve Fund*** - This fund is used to set monies aside for future capital improvements.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

The Borough reports the following nonmajor governmental funds:

***Highway Aid Fund*** – is used to account for the proceeds and disposition of state liquid fuels entitlements that are legally restricted to expenditures for specific purposes, primarily building and maintaining local roads and bridges.

***Fire Fund*** – is used to account for the proceeds and disposition of assessment of real estate taxes specific for purposes relating to emergency services provided by the Friendship Hose Company Number 1.

**Proprietary Funds**

The Borough reports the following major enterprise funds:

***Sewer Department*** – Provides wastewater treatment services for the Borough of Orwigsburg, its residents, commercial establishments, and various customers located within the neighboring areas. This fund is presented as a combination of the Borough's sewer fund and the blended component unit Municipal Authority.

***Water Department*** – Provides water and related services, including laboratory analyses, to the Borough of Orwigsburg, its residents, business establishments and various customers within the proximity of the Borough.

***Sanitation Department*** – Provides trash and garbage removal for the Borough of Orwigsburg, its residents, and commercial establishments throughout the Borough.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has no fiduciary funds.

***Basis of Presentation***

**Government-wide Financial Statements** - The Statement of Net Position and Statement of Activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Borough's public safety, highways, culture and recreation, and general administrative services are classified as governmental activities. The statements distinguish between these activities of the Borough that are governmental and that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Presentation (Continued)***

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities, and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

**Fund Financial Statements** – Fund financial statements report detailed information about the Borough. The focus of the governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to fiduciary funds and they are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reported on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

***Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less deferred inflows of resources and total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting (Continued)***

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers tax and other revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. If time requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accounting principles generally accepted in the United States of America require the pension asset (liability) and related deferred inflows of resources and deferred outflows of resources to be measured based on a date no earlier than the end of the employer's prior fiscal year. The pension asset (liability) and related deferred inflows of resources, and deferred outflows of resources reported for the year ended December 31, 2022, is based on information from the pension plan as of December 31, 2020.

***Cash and Cash Equivalents***

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

***Prepaid Items/Expenses***

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.

***Statement of Cash Flows***

For purposes of the statement of cash flows presented for proprietary funds, the Borough considers all highly liquid investments, including restricted assets, with maturities of three months or less when purchased, to be cash equivalents.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activity column of the government-wide statement of net position and in the respective fund.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

Capital assets, which include property, plant, equipment, sewer and water systems, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost in excess of \$ 1,000 and an estimated useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Land improvements	15 - 40
Buildings and improvements	10 - 40
Equipment	8 - 15
Recreation assets	5 - 30
Sewer plant	40
Sewer line improvements	50
Water distribution system	15 - 40
Vehicles	5 - 8
Right-to-use asset - equipment	4

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated/amortized over the remaining useful lives of the related capital assets, as applicable.

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Borough has various item that qualifies for reporting in this category for the various amounts related to pension asset (liabilities) and OPEB liability. These amounts will be amortized in future periods.

In addition to liabilities, the statement of net position and Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has several items which qualify for reporting in this category. Unavailable revenue from taxes are considered a deferred inflow of resources on the Balance Sheet - Governmental Funds, and various items related to pension asset (liabilities) and OPEB liability are shown as deferred inflows on the Statement of Net Position.

***Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable or other borrowings attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position (Continued)***

related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvements of assets or related debt also should be included in this component of net position.

**Restricted:** This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted:** This component of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***Net Position Flow Assumption***

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance – Governmental Funds***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

**Restricted:** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

**Assigned:** This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee, borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.

**Unassigned:** This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Fund Balance Flow Assumptions***

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Borough does not currently have a policy to indicate in which order unrestricted fund balance is considered spent; therefore, by default, the order is as follows: committed, assigned and unassigned.

***Interfund Activity***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements. It is the Borough's general rule to eliminate internal activity in the government-wide statement of activities, such as receipts and payments between the Borough's sewer fund and blended component unit.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are shown separately in proprietary funds.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Budgets and Budgetary Accounting***

Borough Council adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of each year and must be reappropriated. The final budget amounts shown in the financial statements are the final authorized amount as revised during the year.

During 2022, the Borough overspent the budgeted expenditures of the general fund, which is a violation of the Borough Code, but is not expected to result in any negative implications to the Borough.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental columns in the statement of net position. Bond premium and discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred charges on bond refunding are shown as deferred outflows of resources. Bond issuance costs related to insurance premiums are reported as assets and amortized to expense over the term of the related debt. Other bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Leases***

During the year ended December 31, 2022, the Borough adopted GASB No. 87 for the reporting of leases.

**Lessee:** The Borough is a lessee for one noncancellable lease of equipment. The Borough recognizes a lease liability and intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the Borough initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Borough determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Borough uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Borough generally uses its incremental borrowing rate as the discount rate for leases.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Leases (Continued)***

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Borough is reasonably certain to exercise.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Lessor:** The Borough is a lessor for a noncancellable lease of building space. The Borough recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Compensated Absences***

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable.

Under terms of the Borough's employment agreements, employees are granted vacation, personal, and sick leave in varying amounts. Personal time must be used during the calendar year for all employees and cannot be carried over. Ninety days of vacation may be carried over from one year to the next for Borough employees. Upon retirement from the Borough, non-uniformed employees and police are reimbursed for accumulated sick leave in accordance with personnel policies.

The vesting method is used to account for sick and vacation leave liabilities. In accordance with GASB standards, no liability is recorded in the governmental fund financial statements and an expenditure is recorded as payments are made. In the government-wide statements, the liability and expenses are recorded as incurred.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Pension Plans***

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Other Postemployment Benefits Other Than Pensions***

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Borough's other postemployment benefits are accounted for in accordance with these standards.

***Classification of Revenues***

For proprietary funds, the Borough has classified its revenues as either operating or nonoperating revenues according to the following criteria:

**Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as utility billings and penalties and late charges.

**Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants and other revenues that are defined as nonoperating revenues by GASB, such as investment earnings. In addition, tap fees are considered non-operating because they are based on future capacity needs of the utility system.

**NOTE 2 DEPOSITS AND INVESTMENTS**

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The Commonwealth of Pennsylvania's "Borough Code" and Act 10 of 2016 define allowable investments for Borough funds as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2022, \$ 618,076 of the Borough's bank balance of \$ 2,444,029 was covered by federal depository insurance and \$ 1,825,953 was exposed to custodial credit risk. This balance is uninsured but is collateralized by securities held by the pledging financial institution not in the Borough's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

***Credit Risk - Investments***

Pennsylvania Local Government Investment Trust (PLGIT) investments are shown as cash and cash equivalents in these financial statements. Investments are carried at amortized cost. PLGIT investments of \$ 3,775,353 are considered an external investment pool. These funds operate similar to a money market fund and seek to maintain a consistent net asset value of \$ 1 per share. PLGIT portfolio funds are invested in United States Treasury bills; obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations.

# **BOROUGH OF ORWIGSBURG**

## **Notes to Financial Statements**

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### **NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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#### ***Credit Risk – Investments (Continued)***

Credit risk is the risk that an issuer of debt securities or other counter party to an investment will not fulfill its obligations. The Borough does not have an investment policy regarding credit risk.

At December 31, 2022, the Borough's investments in PLGIT were rated AAA by Standard and Poor's Investors Services.

#### ***Policies followed by PLGIT***

##### **Regulatory Oversight**

The operation of PLGIT is governed by an eleven-member board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its assets, subject to the rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

##### **Valuation of Investments**

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

### **NOTE 3 TAXES**

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The Borough collects property taxes, earned income and other taxes and fees. Property taxes are levied as of January 1 on assessed property values. The tax bills are mailed by the Tax Collectors by March 1 and are payable as follows:

Discount	March 1 – April 30
Face	May 1 – June 30
Penalty	July 1 – December 31

After December 31, the bills are considered delinquent and are turned over to the Schuylkill County Tax Claim Bureau for collection.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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Taxes receivable are stated at the amount management expects to collect from outstanding balances. The Borough has established an allowance for uncollectible accounts based on an evaluation of historical collections. Taxes receivable in the balance sheet- governmental funds consists of the following as of December 31, 2022:

	<b>General Fund</b>	<b>Fire Fund</b>
Comcast franchise fee	\$ 15,378	\$ -
Earned income	94,993	-
Local services tax	20,613	-
Real estate	37,839	-
Fire tax	-	3,603
Occupational	2,934	-
Per capita	7,612	-
Real estate transfer	2,586	-
Delinquent real estate tax	10,028	-
Delinquent per capita	16,769	-
Delinquent occupational tax	6,436	-
Allowance for uncollectible accounts	<u>(5,000)</u>	<u>-</u>
Total taxes receivable, net	210,188	3,603
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(152,243)</u>	<u>(1,986)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 57,945</u>	<u>\$ 1,617</u>

The Borough's allowance for doubtful accounts at December 31, 2022 for the proprietary funds totaled \$ 15,000 for the Sewer Fund, \$ 15,000 for the Water Fund, and \$ 5,000 for the Sanitation Fund. This is based on an evaluation of historical and delinquent collections.

**NOTE 5 LEASE RECEIVABLE/DEFERRED INFLOWS**

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The Borough has entered into a lease for use of building space. The lease runs through 2026 and requires monthly payments ranging from \$ 2,165 to \$ 2,510 based on the Borough's estimated interest rate of 4.25%. The ending lease receivable of \$ 97,972 is shown on the government wide statement of net position and governmental fund balance sheet. For the year ended December 31, 2022, the Borough recognized lease revenue of \$ 22,278 and interest revenue of \$ 4,683 associated with this lease.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables and payables consist of the following at December 31, 2022:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
Governmental Funds		
General Fund	\$ 300	\$ 6,834
Fire Tax Fund	28	
Proprietary Funds		
Sewer	-	2,304,354
Water	2,310,860	-
	<u>\$ 2,311,188</u>	<u>\$ 2,311,188</u>

The outstanding balances between funds result mainly from payroll transactions and amounts related to debt service. During 2022, the Borough approved reallocating 34% of the 2020 bond issuance to the Water Fund. Due to the reallocation of the debt liability, the remaining bond proceeds from the issuance are also due to the Water Fund, accounting for \$ 2,236,843 of the interfund balance above.

Interfund transfers consist of the following during 2022:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental Funds		
General Fund	\$ 40,250	\$ 147,849
Capital Reserve	122,849	98,025
Proprietary Funds		
Sewer	2,028,208	2,064,878
Water	2,266,618	2,200,173
Sanitation	53,000	-
	<u>\$ 4,510,925</u>	<u>\$ 4,510,925</u>

The transfer from General Fund to the Capital Reserve Fund was for future capital purchases and projects. The transfers from the Capital Reserve Fund to the General and Water Funds were for current capital purchases and projects. The transfers from the Sewer Fund to the Water Fund were for the reallocation of the debt obligation and related bond premium. The transfer from the Capital Reserve Fund to the Sanitation Fund was a budgeted transfer for current year operating expenditures.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2022:

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Cost				
Capital assets not being depreciated/amortized				
Land	\$ 291,228	\$ 85,906	\$ -	\$ 377,134
Construction in progress	173,133	1,191,894	(85,906)	1,279,121
Capital assets being depreciated/amortized				
Land improvements	585,911	-	-	585,911
Buildings and improvements	1,543,986	-	-	1,543,986
Equipment	370,263	10,070	(6,387)	373,946
Recreation assets	276,826	5,260	-	282,086
Vehicles	369,890	47,831	(32,814)	384,907
Right-to-use asset - equipment	2,474	-	-	2,474
Total cost	<u>3,613,711</u>	<u>1,340,961</u>	<u>(125,107)</u>	<u>4,829,565</u>
Less accumulated depreciation/amortization				
Land improvements	(218,065)	(33,263)	-	(251,328)
Building and improvements	(582,642)	(51,870)	-	(634,512)
Equipment	(203,477)	(38,598)	6,387	(235,688)
Recreation assets	(170,721)	(11,435)	-	(182,156)
Vehicles	(330,948)	(22,524)	32,814	(320,658)
Right-to-use asset - equipment	-	(560)	-	(560)
Total accumulated depreciation/amortization	<u>(1,505,853)</u>	<u>(158,250)</u>	<u>39,201</u>	<u>(1,624,902)</u>
<b>Capital assets, net</b>	<u>\$ 2,107,858</u>	<u>\$ 1,182,711</u>	<u>\$ (85,906)</u>	<u>\$ 3,204,663</u>
	Beginning Balance, as restated	Additions	Retirements	Ending Balance
<b>Business-Type Activities</b>				
Cost				
Capital assets not being depreciated/amortized				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	820,565	2,115,792	-	2,936,357
Capital assets being depreciated/amortized				
Buildings and improvements	3,291,111	29,775	-	3,320,886
Equipment	353,347	24,896	-	378,243
Sewer plant	8,260,869	-	(825,714)	7,435,155
Sewer line improvements	917,857	-	-	917,857
Vehicles	91,708	-	-	91,708
Water distribution system	5,902,416	123,331	-	6,025,747
Right-to-use asset - equipment	4,948	-	-	4,948
Total cost	<u>19,727,433</u>	<u>2,293,794</u>	<u>(825,714)</u>	<u>21,195,513</u>
Less accumulated depreciation/amortization				
Buildings and improvements	(2,451,262)	(68,749)	-	(2,520,011)
Equipment	(153,350)	(33,862)	-	(187,212)
Sewer plant	(5,005,364)	(144,838)	505,551	(4,644,651)
Sewer line improvements	(102,493)	(18,358)	-	(120,851)
Vehicles	(32,089)	(15,142)	-	(47,231)
Water distribution system	(2,763,099)	(183,549)	-	(2,946,648)
Right-to-use asset - equipment	-	(1,120)	-	(1,120)
Total accumulated depreciation/amortization	<u>(10,507,657)</u>	<u>(465,618)</u>	<u>505,551</u>	<u>(10,467,724)</u>
<b>Capital assets, net</b>	<u>\$ 9,219,776</u>	<u>\$ 1,828,176</u>	<u>\$ (320,163)</u>	<u>\$ 10,727,789</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 7 CAPITAL ASSETS (CONTINUED)**

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Depreciation expense for the year ended December 31, 2022 was charged as follows in the Statement of Activities:

Governmental Activities	
General Government	\$ 19,408
Public Works - Highway	25,140
Public Safety	32,341
Culture and Recreation	<u>81,361</u>
	<u>\$ 158,250</u>
Business-Type Activities	
Sewer	\$ 62,931
Water	<u>402,687</u>
	<u>\$ 465,618</u>

The construction in progress consists of the following at December 31, 2022:

Memorial Playground	\$ 803,003
Long Avenue	121,438
Ridge Road Park	13,960
Liberty Street Borough Office	<u>340,720</u>
<b>Total Governmental Activities CIP</b>	<u>\$ 1,279,121</u>
Wastewater Treatment Plant Upgrade	\$ 2,934,757
Wellhouse Fencing	<u>1,600</u>
<b>Total Business-Type Activities CIP</b>	<u>\$ 2,936,357</u>

As of December 31, 2022, the Borough had the following open construction commitments:

	<b>Total Contracts</b>	<b>Total Costs Incurred</b>	<b>Total Costs To Be Incurred</b>
Memorial Playground	<u>\$ 795,828</u>	<u>\$ 732,800</u>	<u>\$ 63,028</u>
<b>Total Governmental Activities Commitments</b>	<u>\$ 795,828</u>	<u>\$ 732,800</u>	<u>\$ 63,028</u>
Wastewater Treatment Plant Upgrade	<u>\$ 2,294,309</u>	<u>\$ 1,947,698</u>	<u>\$ 346,611</u>
<b>Total Business-Type Activities Commitments</b>	<u>\$ 2,294,309</u>	<u>\$ 1,947,698</u>	<u>\$ 346,611</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 8 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended December 31, 2022 were as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities</b>						
Direct Borrowing						
(D) Curbs Loan	\$ 42,777	\$ -	\$ (8,667)	\$ 34,110	\$ 8,948	\$ 25,162
(E) 2020 Ford SUV Loan	11,977	-	(11,977)	-	-	-
(F) 2021 GO Note	-	691,000	-	691,000	691,000	-
(G) 2022 GO Note	-	425,000	(1,067)	423,933	14,027	409,906
Subtotal - notes	54,754	1,116,000	(21,711)	1,149,043	713,975	435,068
Compensated absences	103,079	75,552	(61,803)	116,828	58,414	58,414
Lease obligations	2,474	-	(510)	1,964	532	1,432
Total long-term liabilities Governmental Activities	\$ 157,833	\$ 1,191,552	\$ (83,514)	\$ 1,265,871	\$ 772,389	\$ 493,482
<b>Business-Type Activities</b>						
Bonds						
(A) 2020 GO Bonds - Sewer	8,269,000	-	(2,199,259)	6,069,741	173,250	5,896,491
(B) 2020 GO Bonds - Water	1,881,000	2,028,208	(138,949)	3,770,259	141,750	3,628,509
(C) Financed purchase - water	5,936	-	(5,936)	-	-	-
(C) Financed purchase - sewer	5,936	-	(5,936)	-	-	-
Bond (Discount)/Premium	790,719	-	(38,304)	752,415	30,714	721,701
Subtotal - bonds	10,952,591	2,028,208	(2,388,384)	10,592,415	345,714	10,246,701
Compensated absences	77,215	21,502	(17,673)	81,044	40,522	40,522
Lease obligations	4,948	-	(1,020)	3,928	1,064	2,864
Total long-term liabilities Business-Type Activities	\$ 10,957,539	\$ 2,028,208	\$ (2,389,404)	\$ 10,596,343	\$ 346,778	\$ 10,249,565

(A) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 8,648,500 related to the Sewer Fund. The Bonds were issued for the refunding of the Sewer Fund's portion of the 2015 revenue bonds and to fund various capital projects of the Borough. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

(B) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 2,191,500 related to the Water Fund. The Bonds were issued for the refunding of the Water Fund's portion of the 2015 revenue bonds. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.

During the year ended December 31, 2022, \$ 2,028,208 of the debt was reallocated from the Sewer Fund to the Water Fund as this portion of the proceeds will be used for water projects.

(C) The Borough entered into a financed purchase for the acquisition of a backhoe. The financed purchase required monthly principal and interest payments of \$ 2,994 based on an interest rate of 4.25%. The financed purchase was paid off during 2022.



**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 8 LONG-TERM LIABILITIES (CONTINUED)**

- (D) On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 85,000. The loan was used to pay for curbing on South Warren Street. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$ 821 are due monthly through August 23, 2026. The note is secured by Borough deposits.
- (E) On December 13, 2019, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 34,940. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.99%. Total monthly payments of principal and interest in the amount of \$ 1,017 are due monthly through December 27, 2022. The note is secured by the vehicle with a net book value of \$ 36,769.
- (F) On February 26, 2021, the Borough issued General Obligation Note, Series of 2021 with Manufacturers and Traders Trust Company in the amount of \$ 750,000. The loan is to be used to fund improvement to the Veterans Memorial Community Hall and will be repaid with grant funds received from the RCAP grant from the Commonwealth of Pennsylvania. The loan bears interest at a variable rate equal to 2.00% above the one-month LIBOR, with a floor of 2.1875% and a ceiling of 4.50%. Principal and interest is due quarterly and is due the earlier of December 31, 2023 or one year from date of completion of the project. The Borough drew \$ 691,000 on this Note as of December 31, 2022.
- (G) On August 18, 2022, the Borough issued General Obligation Note, Series of 2022, with Mid Penn Bank in the amount of \$ 425,000. The loan was used to purchase a building to be used for a new borough office. The loan bears interest at a fixed rate of 4.07%. Interest only monthly payments are due through December 18, 2022. Total monthly payments of principal and interest in the amount of \$ 2,604 are due monthly beginning January 18, 2022 through November 18, 2042. The note is secured by the building located at South Liberty Street, Orwigsburg, PA.

Upon default of the Notes or Bond the financial institution has normal remedies as outlined in the note or bond agreements, including the right to declare the unpaid principal and interest be due immediately.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2022.

Governmental Activities									
Direct Borrowing									
	Curbs Loan		2021 GO Note		2022 GO Note		Lease Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 8,948	\$ 902	\$ 691,000	\$ 37,969	\$ 14,027	\$ 17,226	\$ 532	\$	73
2024	9,220	630	-	-	14,569	16,683	555		50
2025	9,501	350	-	-	15,229	16,023	579		26
2026	6,441	82	-	-	15,870	15,383	298		4
2027	-	-	-	-	16,537	14,715	-		-
2028-2032	-	-	-	-	93,641	62,620	-		-
2033-2037	-	-	-	-	115,116	41,145	-		-
2038-2042	-	-	-	-	138,944	14,805	-		-
2043-2047	-	-	-	-	-	-	-		-
	<u>\$ 34,110</u>	<u>\$ 1,964</u>	<u>\$ 691,000</u>	<u>\$ 37,969</u>	<u>\$ 423,933</u>	<u>\$ 198,600</u>	<u>\$ 1,964</u>	<u>\$</u>	<u>153</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 8 LONG-TERM LIABILITIES (CONTINUED)**

Business-Type Activities									
Bonds									
	2020 GO Bond (Sewer Portion)		2020 GO Bond (Water Portion)		Lease Obligations		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 173,250	\$ 209,130	\$ 141,750	\$ 123,270	\$ 1,064	\$ 146	\$ 1,030,571	\$ 388,716	
2024	176,000	206,532	144,000	121,144	1,110	100	345,454	345,139	
2025	178,750	203,892	146,250	118,984	1,158	52	351,467	339,327	
2026	181,500	201,210	148,500	116,790	596	8	353,205	333,477	
2027	181,500	198,488	148,500	114,562	-	-	346,537	327,765	
2028-2032	973,500	936,862	796,500	527,342	-	-	1,863,641	1,526,824	
2033-2037	1,336,381	742,201	768,619	385,798	-	-	2,220,116	1,169,144	
2038-2042	1,686,981	444,359	868,019	228,640	-	-	2,693,944	687,804	
2043-2046	1,181,879	95,737	608,121	49,261	-	-	1,790,000	144,998	
	<u>\$ 6,069,741</u>	<u>\$ 3,238,411</u>	<u>\$ 3,770,259</u>	<u>\$ 1,785,791</u>	<u>\$ 3,928</u>	<u>\$ 306</u>	<u>\$ 10,994,935</u>	<u>\$ 5,263,194</u>	

**NOTE 9 PENSION PLANS**

***Summary of Significant Accounting Policies***

**Plan Description**

The Borough sponsors two multi-employer defined benefit retirement plans (The Plans) which cover Administrative Employees and Police Officers. The Plan is administered by the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple-employer pension plan administered by the Commonwealth of Pennsylvania. PMRS, established by the Pennsylvania Retirement Law, Act 15 of 1974 ("ACT 15"), as amended, serves as a common investment and administrative agent for participating municipal pension plans. The authority to establish and amend benefits provisions of the Plan rests with the Authority's board of directors, the Commonwealth of Pennsylvania's Municipal Pension Plan Funding and Recovery Act of 1984 ("Act 205"), and PMRS.

PMRS issues a separate Annual Comprehensive Financial Report ("ACFR"). The ACFR is available on the PMRS website or a copy can be obtained by contacting the PMRS accounting office.

**Plan Membership**

At January 1, 2021, the date of the latest valuation, Plan membership consisted of:

	Police	Non-Uniform
Inactive employees or beneficiaries currently receiving benefits	2	9
Inactive employees entitled to but not yet receiving benefits	-	1
Active employees	6	7
Total Membership	<u>8</u>	<u>17</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 9 PENSION PLANS (CONTINUED)**

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***Benefits Provided***

**Police**

The Plan provides for retirement, disability, and death benefits for normal retirement at age of fifty with twelve years of service. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-four years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty. The basic annual benefit equals 2.0% times years of credited service times final average salary, with a maximum basic annual benefit of 50% of final average salary. In addition to this basic benefit, a separate annuity is provided by an employer contribution for participants with twenty-six or more years of credited service. The benefit is computed on the number of credited years over twenty-five times 2.5% times the basic benefit. Members are 100% vested after 12 years of service.

**Non-Uniform**

The Plan provides for retirement, disability, and death benefits for normal retirement at age fifty-four. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty-four. The basic annual benefit equals 2.5% times years of credited service times final average salary, with a maximum basic annual benefit of 75% of final average salary. Members are 100% vested after 10 years of service.

***Funding Policy and Contributions***

**Act 205**

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

	<b>Police</b>	<b>Non-Uniform</b>
Annual required contribution	\$ -	\$ 155,130
Contributions made - employer	20	155,130

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 9 PENSION PLANS (CONTINUED)**

***Net Pension (Asset) Liability***

The Borough's net pension (asset)/liability was measured at December 31, 2019, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of January 1, 2021. The components of the Borough's net pension (asset)/liability are as follows at December 31, 2022:

	<b>Police</b>	<b>Non-Uniform</b>	<b>Total</b>
Total Pension Liability	\$ 1,748,884	\$ 2,741,501	\$ 4,490,385
Plan Fiduciary Net Position	3,271,333	2,813,568	6,084,901
Net Pension (Asset)/Liability	<u>\$ (1,522,449)</u>	<u>\$ (72,067)</u>	<u>\$ (1,594,516)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability	187.05%	102.63%	135.51%

***Changes in the Net Pension (Asset)/Liability***

The changes in the Authority's net pension (asset)/liability are as follows for the year ended December 31, 2022:

	<b>POLICE PENSION PLAN</b>			<b>NON-UNIFORM PLAN</b>		
	<b>Increase(Decrease)</b>			<b>Increase(Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension (Asset)/ Liability</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension (Asset)/ Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Beginning Balance</b>	\$ 1,677,510	\$ 3,033,178	\$ (1,355,668)	\$ 2,627,690	\$ 2,411,108	\$ 216,582
<b>Changes for the year:</b>						
Service cost	78,726	-	78,726	79,456	-	79,456
Interest	89,688	-	89,688	139,403	-	139,403
Changes of benefits	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Contributions - employer	-	-	-	-	150,694	(150,694)
Contributions - PMRS assessment	-	20	(20)	-	360	(360)
Contributions - member	-	-	-	-	-	-
PMRS investment income	-	137,360	(137,360)	-	118,409	(118,409)
Market value investment income	-	205,775	(205,775)	-	245,111	(245,111)
Transfers	-	-	-	-	-	-
Benefit payments	(97,040)	(97,040)	-	(105,048)	(105,048)	-
PMRS administrative expense	-	(180)	180	-	(360)	360
Additional administrative expense	-	(7,780)	7,780	-	(6,706)	6,706
<b>Net changes</b>	<u>\$ 71,374</u>	<u>\$ 238,155</u>	<u>\$ (166,781)</u>	<u>\$ 113,811</u>	<u>\$ 402,460</u>	<u>\$ (288,649)</u>
<b>Ending Balance</b>	<u>\$ 1,748,884</u>	<u>\$ 3,271,333</u>	<u>\$ (1,522,449)</u>	<u>\$ 2,741,501</u>	<u>\$ 2,813,568</u>	<u>\$ (72,067)</u>

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 9 PENSION PLANS (CONTINUED)**

***Actuarial Assumptions***

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2021 using the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2021
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Projected Salary Increases	Age related scale with merit and inflation component
Inflation	2.80%
Investment Rate of Return	5.25%
Cost-of-Living Adjustments	2.80%, for those eligible
Asset Valuation Method	Based upon the municipal reserves

Healthy life mortality rates, pre-retirement was based on PUB-2010 sex-distinct General Employees table. Healthy life mortality rates, post-retirement was based on RP-2006 sex-distinct annuitant table. Disabled life mortality rates are projected from the applicable table's based year to 2023 using the Mortality Improvement Scale MP-2018.

The actuarial assumptions used in the January 1, 2021 valuation were based on a roll forward of the retiree liabilities from the prior year's actuarial valuation and financial data indicating new retiree transfers as of December 31, 2020.

***Expected Rate of Return***

The PMRS System's long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System's Long-Term Expected Real Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.5%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan's target asset allocation as of December 31, 2021 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class".

<b>System Nominal and Real Rates of Return by Asset Class</b>			
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Nominal Net Rate of Return</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equities (small-capitalized firms)	24.5%	7.49%	4.99%
Domestic Equities (large-capitalized firms)	8.0%	8.18%	5.68%
International Equities (international developed markets)	14.5%	8.07%	5.57%
International Equities (emerging markets)	3.0%	8.71%	5.71%
Global Equities	5.0%	7.28%	4.78%
Real Estate	10.0%	7.40%	4.90%
Timber	5.0%	6.17%	3.67%
Fixed income (Core Investment Grade)	24.0%	4.32%	1.82%
Fixed income (Opportunistic Credit)	5.0%	7.88%	5.38%
Cash	1.0%	1.18%	1.32%
Total Portfolio	<u>100.0%</u>	<u>7.42%</u>	<u>4.92%</u>

Based on the aforementioned methodology, the Board established the System's Long-Term Expected Rate of Return at 7.42%.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 9 PENSION PLANS (CONTINUED)**

***Discount Rate***

The discount rate used to measure the total pension liability for the plan was 5.25 percent. The projection of cash flows for the Plan, used to determine if any adjustment to the discount rate was required ("depletion testing"), used the following assumptions: (1) member contributions will be made at the current contribution rate; (2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate; and (3) PMRS' long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on these assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Discount Rate Sensitivity***

The following is a sensitivity analysis of the net pension (asset)/liability to changes in the discount rate. The table below presents the pension (asset)/liability of the Plan calculated using the discount rate of 5.25 percent, as well as what the net pension (asset)/liability would be, if it were calculated using a discount rate that is one percentage point lower (4.25 percent) or one percentage point higher (6.25 percent) than the current rate.

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Police pension plan	\$ (1,256,825)	\$ (1,522,449)	\$ (1,738,341)
Non-Uniform pension plan	308,339	(72,067)	(386,234)

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended December 31, 2022, the Borough recognized pension expense of \$ 128,335. At December 31, 2022, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police Pension Plan		Non-Uniform Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,371	\$ 35,803	\$ 19,678	\$ -	\$ 44,049	\$ 35,803
Changes in assumptions	45,853	1,892	42,710	-	88,563	1,892
Net difference between projected and actual earnings on pension plan investments	-	396,509	-	400,336	-	796,845
Changes in proportions - governmental activities/ business-type activities	-	-	39,443	39,443	39,443	39,443
Contributions subsequent to the measurement date	20	-	155,130	-	155,150	-
Total	\$ 70,244	\$ 434,204	\$ 256,961	\$ 439,779	\$ 327,205	\$ 873,983

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 9 PENSION PLANS (CONTINUED)**

The \$ 155,150 reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, will be recognized in pension expense as follows for the years ending December 31:

	<b>Police Pension Plan</b>	<b>Non-Uniform Pension Plan</b>	<b>Total</b>
<b>Year Ended December 31:</b>			
2023	\$ (108,726)	\$ (93,898)	\$ (202,624)
2024	(158,284)	(125,353)	(283,637)
2025	(76,413)	(69,675)	(146,088)
2026	(34,290)	(49,022)	(83,312)
2027	6,865	-	6,865
Thereafter	6,868	-	6,868
	<u>\$ (363,980)</u>	<u>\$ (337,948)</u>	<u>\$ (701,928)</u>

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS**

***Plan Description***

The Borough's Other Post-Employment Benefits (OPEB) Plan is a single-employer defined benefit providing medical reimbursement to all police officers who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$ 500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. A retiree hired prior to January 1, 2009 may use the reimbursement for his and/or his spouse's coverage. A retiree hired after January 1, 2009 may only apply the \$ 500 toward his own coverage (not the spouse's). Retirees are responsible for the charged premium in excess of \$ 500 per month. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has one retiree receiving benefits as of January 1, 2022.

***Plan Membership***

Membership in the Plan consisted of the following at January 1, 2022, the date of the latest actuarial valuation:

Active participants	6
Vested former participants	-
Retired participants	<u>1</u>
	<u>7</u>

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The Borough's total OPEB liability was measured as of January 1, 2022, based on the actuarial assumptions in the January 1, 2022 valuation. No assets are accumulated in a trust that meets the criteria of GASB standards. At December 31, 2022, the Borough reported a total OPEB liability of \$ 59,284.

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

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**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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For the year ended December 31, 2022, the Borough recognized OPEB expense of \$ 6,170.

At December 31, 2022, the Borough reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,265
Changes in assumptions	866	2,729
Total	<u>\$ 866</u>	<u>\$ 7,994</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

	<b>Amount</b>
<b>Year Ended December 31:</b>	
2023	\$ (420)
2024	(420)
2025	(420)
2026	(420)
2027	(420)
Thereafter	<u>(5,028)</u>
	<u>\$ (7,128)</u>

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
<b>Beginning Balance</b>	\$ 64,753
<b>Changes for the year:</b>	
Service cost	5,234
Interest	1,669
Change in benefit terms	-
Changes in assumption	(3,032)
Differences between expected and actual experience	(3,233)
Benefit payments	<u>(6,107)</u>
Net changes	<u>(5,469)</u>
<b>Ending Balance</b>	<u>\$ 59,284</u>



**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions***

The total OPEB liability was determined based on an actuarial valuation dated January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry age normal										
Investment Rate of Return	2.75%										
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are calculated at 2.75%.										
Mortality	2010 Public Retirement Plan – Public Safety mortality tables (PubS-2010)										
Mortality Improvement	Projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration’s Trustee Report.										
Withdrawal	Rates based on service as follows:										
	<table> <tr> <th><b>Years of Service</b></th><th><b>Rate</b></th></tr> <tr> <td>&lt; 4</td><td>10%</td></tr> <tr> <td>5</td><td>5%</td></tr> <tr> <td>6 - 8</td><td>4%</td></tr> <tr> <td>9+</td><td>3%</td></tr> </table>	<b>Years of Service</b>	<b>Rate</b>	< 4	10%	5	5%	6 - 8	4%	9+	3%
<b>Years of Service</b>	<b>Rate</b>										
< 4	10%										
5	5%										
6 - 8	4%										
9+	3%										
Retirement Age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.										
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.										

***Discount Rate***

The discount rate used to measure the OPEB liability was 2.75% for the Plan. The Plan is not funded, therefore, a rate similar to the S&P 20 year tax-exempt general obligation municipal bond rate of is used as the applicable discount rate.

***Sensitivity of the Total Net OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liabilities of the Borough, as well as what the Borough’s liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	<b>1% Decrease 1.75%</b>	<b>Current Discount Rate 2.75%</b>	<b>1% Increase 3.75%</b>
Total OPEB Liability	\$ 64,762	\$ 59,284	\$ 54,488

**BOROUGH OF ORWIGSBURG**  
**Notes to Financial Statements**

**NOTE 11 FUND BALANCE/NET POSITION**

The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	\$ 10,734	\$ -	\$ -	\$ 10,734
Total nonspendable	<u>10,734</u>	<u>-</u>	<u>-</u>	<u>10,734</u>
Restricted				
Capital projects	-	1,394,485	-	1,394,485
Future road projects/equipment	-	-	3,181	3,181
Parks and recreation	3,784	-	-	3,784
Police department	2,475	-	-	2,475
Public safety	-	-	126,999	126,999
Total restricted	<u>6,259</u>	<u>1,394,485</u>	<u>130,180</u>	<u>1,530,924</u>
Committed				
Future OPEB costs	<u>87,086</u>	<u>-</u>	<u>-</u>	<u>87,086</u>
Total committed	<u>87,086</u>	<u>-</u>	<u>-</u>	<u>87,086</u>
Unassigned	<u>126,877</u>	<u>-</u>	<u>-</u>	<u>126,877</u>
Total fund balances	<u>\$ 230,956</u>	<u>\$ 1,394,485</u>	<u>\$ 130,180</u>	<u>\$ 1,755,621</u>

Net position is restricted for the following purposes at December 31, 2022:

Restricted for:  
    Governmental activities (see above) \$ 1,530,924

**NOTE 12 RISK MANAGEMENT**

In conjunction with its normal operations, the Borough is exposed to various risks related to the damage or destruction of its assets from both natural and manmade occurrences, tort liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Borough carries various insurance policies to reduce the overall exposure of risks to the Borough. There were no settlements in excess of insurance coverage in 2022 or the previous three years.

**NOTE 13 RELATED PARTY TRANSACTIONS**

***Lease***

A lease with the Municipal Authority was effective May 20, 2015 through October 31, 2029, or upon earlier retirement of the Series of 2020 Bonds. Terms of the lease required monthly payments to the Borough of \$ 4,200 for payment of the Authority's administrative expenses. The Municipal Authority's activity is included in Sewer Fund on the fund financial statements and included in business-type activities of the government-wide statements. Therefore, there is no effect on the financial statements because the activity is eliminated when the Authority and Sewer Fund are recorded together.

# **BOROUGH OF ORWIGSBURG**

## **Notes to Financial Statements**

### **NOTE 14 COMMITMENTS AND CONTINGENCIES**

The Borough is involved with a lawsuit as a matter of their normal course of business. Management cannot predict the outcome of the lawsuit or estimate the amount of any loss that may result. Management believes that losses resulting from the matter, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

### **NOTE 15 RESTATEMENT**

Beginning fund balance/net position has been restated to reflect the following changes:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>General Fund</b>	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Sanitation Fund</b>
Fund balance/net position, as originally stated, December 31, 2021	\$ 4,242,114	\$ 4,574,319	\$ 205,561	\$ 2,736,376	\$ 1,849,167	\$ (11,224)
To restate beginning balance of net pension asset/(liability) for PMRS reports	89,156	99,314	(23,175)	32,254	54,681	12,379
To restate beginning balance for 2021 ARPA funding	114,492	-	-	-	-	-
To restate beginning balance of capital assets	7,238	-	-	-	-	-
To restate beginning balance of compensated absences	<u>77,216</u>	<u>(77,216)</u>	<u>114,492</u>	<u>(31,249)</u>	<u>(31,249)</u>	<u>(14,718)</u>
Fund balance/net position, as restated, as of December 31, 2021	<u>\$ 4,530,216</u>	<u>\$ 4,596,417</u>	<u>\$ 296,878</u>	<u>\$ 2,737,381</u>	<u>\$ 1,872,599</u>	<u>\$ (13,563)</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule – General Fund (Unaudited)**  
**Year Ended December 31, 2022**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes	\$ 1,336,100	\$ 1,336,100	\$ 1,443,588	\$ 107,488
Licenses and permits	68,850	68,850	68,353	(497)
Local support	-	-	2,050	2,050
Fines and forfeits	25,000	25,000	36,342	11,342
Interest earnings	160	160	6,573	6,413
Rents	48,100	48,100	44,154	(3,946)
Intergovernmental	247,192	247,192	266,639	19,447
Charges for services	48,271	48,271	30,275	(17,996)
Miscellaneous	3,300	3,300	5,081	1,781
Total revenues	<u>1,776,973</u>	<u>1,776,973</u>	<u>1,903,055</u>	<u>126,082</u>
<b>EXPENDITURES</b>				
General government	362,900	362,900	374,989	(12,089)
Public safety	799,753	799,753	774,593	25,160
Public works	428,849	428,849	432,424	(3,575)
Culture and recreation	133,524	133,524	939,223	(805,699)
Debt service	41,850	41,850	31,808	10,042
Total expenditures	<u>1,766,876</u>	<u>1,766,876</u>	<u>2,553,037</u>	<u>(786,161)</u>
Excess (deficiency) of revenues over expenditures	<u>10,097</u>	<u>10,097</u>	<u>(649,982)</u>	<u>(660,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	1,000	1,000	659	341
Proceeds from long-term debt	-	-	691,000	691,000
Transfers in (out)	<u>(11,097)</u>	<u>(11,097)</u>	<u>(107,599)</u>	<u>(96,502)</u>
Total other financing sources (uses)	<u>(10,097)</u>	<u>(10,097)</u>	<u>584,060</u>	<u>594,839</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,922)</u>	<u>\$ (65,240)</u>

**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension (Asset) Liability and Related Ratios -**  
**Police Plan (Unaudited)**  
**Last 10 Fiscal Years**

<b>Police Pension Plan</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>								
Service cost	\$ 78,726	\$ 71,281	\$ 66,664	\$ 61,773	\$ 47,043	\$ 30,197	\$ 38,967	\$ 53,735
Interest	89,688	82,257	77,208	69,446	67,070	68,175	63,375	65,566
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experiences	-	589	-	55,835	-	(48,820)	-	(144,148)
Changes of assumptions	-	54,332	-	-	-	35,717	(6,305)	-
Benefit payments, including refunds of employee contributions	(97,040)	(52,253)	(52,384)	(36,023)	(129,937)	-	-	(442)
<b>Net change in total pension liability</b>	<b>71,374</b>	<b>156,206</b>	<b>91,488</b>	<b>151,031</b>	<b>(15,824)</b>	<b>85,269</b>	<b>96,037</b>	<b>(25,289)</b>
<b>Total pension liability - beginning</b>	<b>1,677,510</b>	<b>1,521,304</b>	<b>1,429,816</b>	<b>1,278,785</b>	<b>1,294,609</b>	<b>1,209,340</b>	<b>1,113,303</b>	<b>1,138,592</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,748,884</b>	<b>\$ 1,677,510</b>	<b>\$ 1,521,304</b>	<b>\$ 1,429,816</b>	<b>\$ 1,278,785</b>	<b>\$ 1,294,609</b>	<b>\$ 1,209,340</b>	<b>\$ 1,113,303</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 20	\$ -	\$ 20	\$ -	\$ 40	\$ -	\$ -	\$ 462
Contributions - employee	-	-	-	-	-	-	-	-
Net investment income	343,135	379,760	465,757	(128,849)	378,938	170,592	(12,667)	97,384
Benefit payments, including refunds of employee contributions	(97,040)	(52,253)	(52,384)	(36,023)	(129,937)	-	-	(442)
Administrative expense	(7,960)	(5,929)	(4,601)	(5,846)	(5,513)	(5,914)	(4,858)	(4,265)
<b>Net change in plan fiduciary net position</b>	<b>238,155</b>	<b>321,578</b>	<b>408,792</b>	<b>(170,718)</b>	<b>243,528</b>	<b>164,678</b>	<b>(17,525)</b>	<b>93,139</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,033,178</b>	<b>2,711,600</b>	<b>2,302,808</b>	<b>2,473,526</b>	<b>2,229,998</b>	<b>2,065,320</b>	<b>2,082,845</b>	<b>1,989,706</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 3,271,333</b>	<b>\$ 3,033,178</b>	<b>\$ 2,711,600</b>	<b>\$ 2,302,808</b>	<b>\$ 2,473,526</b>	<b>\$ 2,229,998</b>	<b>\$ 2,065,320</b>	<b>\$ 2,082,845</b>
<b>Borough's net pension (asset)/liability - ending (a-b)</b>	<b>\$ (1,522,449)</b>	<b>\$ (1,355,668)</b>	<b>\$ (1,190,296)</b>	<b>\$ (872,992)</b>	<b>\$ (1,194,741)</b>	<b>\$ (935,389)</b>	<b>\$ (855,980)</b>	<b>\$ (969,542)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>187.1%</b>	<b>180.8%</b>	<b>178.2%</b>	<b>161.1%</b>	<b>193.4%</b>	<b>172.3%</b>	<b>170.8%</b>	<b>187.1%</b>
<b>Covered payroll</b>	<b>\$ 478,471</b>	<b>\$ 454,573</b>	<b>\$ 425,126</b>	<b>\$ 383,353</b>	<b>\$ 291,937</b>	<b>\$ 203,808</b>	<b>\$ 218,600</b>	<b>\$ 278,611</b>
<b>Borough's net pension (asset)/liability as a percentage of covered payroll</b>	<b>(318.2)%</b>	<b>(298.2)%</b>	<b>(280.0)%</b>	<b>(227.7)%</b>	<b>(409.2)%</b>	<b>(459.0)%</b>	<b>(391.6)%</b>	<b>(348.0)%</b>

**NOTES**

This schedule will be expanded to show multi-year trends as information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end.

**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios -**  
**Non-Uniform Plan (Unaudited)**  
**Last 10 Fiscal Years**

<b>Non-Uniform Pension Plan</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>								
Service cost	\$ 79,456	\$ 76,285	\$ 76,507	\$ 82,524	\$ 61,181	\$ 58,865	\$ 56,130	\$ 67,849
Interest	139,403	128,517	123,416	109,884	104,844	98,072	93,482	90,445
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experiences	-	32,797	-	167,916	-	84,419	-	(14,351)
Changes of assumptions	-	71,184	-	-	-	59,118	15,359	-
Benefit payments, including refunds of employee contributions	(105,048)	(104,161)	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
<b>Net change in total pension liability</b>	<b>113,811</b>	<b>204,622</b>	<b>98,968</b>	<b>268,033</b>	<b>75,579</b>	<b>213,141</b>	<b>83,728</b>	<b>71,058</b>
<b>Total pension liability - beginning</b>	<b>2,627,690</b>	<b>2,423,068</b>	<b>2,324,100</b>	<b>2,056,067</b>	<b>1,980,488</b>	<b>1,767,347</b>	<b>1,683,619</b>	<b>1,612,561</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,741,501</b>	<b>\$ 2,627,690</b>	<b>\$ 2,423,068</b>	<b>\$ 2,324,100</b>	<b>\$ 2,056,067</b>	<b>\$ 1,980,488</b>	<b>\$ 1,767,347</b>	<b>\$ 1,683,619</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 151,054	\$ 128,315	\$ 135,007	\$ 95,174	\$ 89,766	\$ 87,598	\$ 93,899	\$ 92,743
Contributions - employee	-	-	-	-	-	-	-	-
Contributions - PMRS assessment	-	-	-	-	-	-	320	-
Net investment income	363,520	308,741	370,056	(71,621)	265,212	93,888	(18,929)	(70,014)
Benefit payments, including refunds of employee contributions	(105,048)	(104,161)	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Administrative expenses	(7,066)	(4,782)	(3,549)	(4,162)	(4,072)	(4,286)	(2,962)	(3,419)
<b>Net change in plan fiduciary net position</b>	<b>402,460</b>	<b>328,113</b>	<b>400,559</b>	<b>(72,900)</b>	<b>260,460</b>	<b>89,867</b>	<b>(8,915)</b>	<b>(53,575)</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,411,108</b>	<b>2,082,995</b>	<b>1,682,436</b>	<b>1,755,336</b>	<b>1,494,876</b>	<b>1,405,009</b>	<b>1,413,924</b>	<b>1,467,499</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,813,568</b>	<b>\$ 2,411,108</b>	<b>\$ 2,082,995</b>	<b>\$ 1,682,436</b>	<b>\$ 1,755,336</b>	<b>\$ 1,494,876</b>	<b>\$ 1,405,009</b>	<b>\$ 1,413,924</b>
<b>Borough's net pension (asset)/ liability - ending (a-b)</b>	<b>\$ (72,067)</b>	<b>\$ 216,582</b>	<b>\$ 340,073</b>	<b>\$ 641,664</b>	<b>\$ 300,731</b>	<b>\$ 485,612</b>	<b>\$ 362,338</b>	<b>\$ 269,695</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>102.6%</b>	<b>91.8%</b>	<b>86.0%</b>	<b>72.4%</b>	<b>85.4%</b>	<b>75.5%</b>	<b>79.5%</b>	<b>84.0%</b>
<b>Covered payroll</b>	<b>\$ 410,247</b>	<b>\$ 397,613</b>	<b>\$ 398,773</b>	<b>\$ 402,472</b>	<b>\$ 298,385</b>	<b>\$ 274,271</b>	<b>\$ 263,041</b>	<b>\$ 325,027</b>
<b>Borough's net pension asset/(liability) as a percentage of covered payroll</b>	<b>(17.6)%</b>	<b>54.5%</b>	<b>85.3%</b>	<b>159.4%</b>	<b>100.8%</b>	<b>177.1%</b>	<b>137.7%</b>	<b>83.0%</b>

**NOTES**

This schedule will be expanded to show multi-year trends as information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end.

**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Schedule of Employers Contributions – Pension Plan**  
**Last 10 Fiscal Years**

<b>Police</b>										
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contribution in relation to the actuarially determined contributions	20	20	-	20	-	40	-	-	462	
Contribution excess (deficiency)	\$ (20)	\$ (20)	\$ -	\$ (20)	\$ -	\$ (40)	\$ -	\$ -	\$ (462)	
Covered payroll	N/A	\$ 478,471	\$ 454,573	\$ 425,126	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611	
Contributions as a percentage of covered payroll		0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.17%	
<b>Non-Uniform</b>										
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contributions	\$ 155,130	\$ 151,054	\$ 128,315	\$ 134,987	\$ 95,174	\$ 89,726	\$ 87,578	\$ 94,219	\$ 92,683	
Contribution in relation to the actuarially determined contributions	155,130	151,054	128,315	135,007	95,174	89,766	87,598	94,219	92,743	
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ (20)	\$ -	\$ (40)	\$ (20)	\$ -	\$ (60)	
Covered payroll	N/A	\$ 410,247	\$ 397,613	\$ 277,953	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027	
Contributions as a percentage of covered payroll		36.82%	32.27%	48.57%	23.65%	30.08%	31.94%	35.82%	28.53%	

**NOTES**

**Valuation Date:**

Actuarial determined contributions rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported.

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial cost method	Entry age
Amortization period	Level dollar based on amortization period Act 205
Asset valuation method	Based upon municipal reserves
Discount rate	5.25%
Inflation	2.80%
Salary increases	Age related scale with merit and inflation component
COLA increases	2.8% for those eligible for COLA
Pre-retirement mortality	Males – RP-2000 with one-year setback
	Females-RP-2000 with five-year setback
Post-retirement mortality	Sex-distinct RP-2000 combined healthy mortality

**Historical change in assumptions:**

2015- Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.

2016 – Investment return assumption was decreased from 5.5% to 5.25%.

2020 – Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2022.



**BOROUGH OF ORWIGSBURG**  
**Required Supplementary Information**  
**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)**  
**Last 10 Fiscal Years**

Other Postemployment Benefit Plan	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>					
Service cost	\$ 5,234	\$ 4,738	\$ 4,611	\$ 1,781	\$ 1,733
Interest	1,669	1,888	1,698	1,601	1,496
Changes of benefit terms	-	-	2,969	-	-
Differences between expected and actual experiences	(3,233)	-	(2,860)	-	-
Changes of assumptions	(3,032)	-	1,051	-	-
Benefit payments, including refunds of employee contributions	(6,107)	(129)	(63)	(52)	(25)
<b>Net change in total OPEB liability</b>	<b>(5,469)</b>	<b>6,497</b>	<b>7,406</b>	<b>3,330</b>	<b>3,204</b>
<b>Total OPEB liability - beginning</b>	<b>64,753</b>	<b>58,256</b>	<b>50,850</b>	<b>47,520</b>	<b>44,316</b>
<b>Total OPEB liability - ending</b>	<b>\$ 59,284</b>	<b>\$ 64,753</b>	<b>\$ 58,256</b>	<b>\$ 50,850</b>	<b>\$ 47,520</b>
<b>Covered payroll</b>	<b>\$ 456,875</b>	<b>\$ 449,245</b>	<b>\$ 449,245</b>	<b>\$ 225,988</b>	<b>\$ 225,988</b>
<b>Borough's total OPEB liability as a percentage of covered payroll</b>	<b>13.0%</b>	<b>14.4%</b>	<b>13.0%</b>	<b>22.5%</b>	<b>21.0%</b>

**NOTES**

**Methods and Assumptions used to Determine Total OPEB Liability:**

Actuarial cost method	Entry age normal										
Investment rate of return	2.75%										
Salary	2.75%										
Mortality	2010 Public Retirement Plan – Public Safety mortality tables (PubS-2010)										
Mortality improvement	Projected from the year 2020 with rates derived from the Long-range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.										
Withdrawal	Rates based on services as follows:										
	<table> <tr> <th>Years of Service</th><th>Rate</th></tr> <tr> <td>&lt; 4</td><td>10%</td></tr> <tr> <td>5</td><td>5%</td></tr> <tr> <td>6 - 8</td><td>4%</td></tr> <tr> <td>9+</td><td>3%</td></tr> </table>	Years of Service	Rate	< 4	10%	5	5%	6 - 8	4%	9+	3%
Years of Service	Rate										
< 4	10%										
5	5%										
6 - 8	4%										
9+	3%										
Retirement age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.										
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.										

**Historical change in assumptions:**

2020- Assumed discount rate reduced from 3.25% to 3.00%.  
2022 – Assumed discount rate reduced from 3.00% to 2.75%

**Historical change in benefits:**

2020- Eligibility was expanded to apply to all officers. (Previously only those hired before 1/1/2017 were eligible.)

This schedule will be expanded to show multi-year trends as information becomes available in the future.

## **OTHER SUPPLEMENTARY INFORMATION**

**BOROUGH OF ORWIGSBURG**  
**Combining Statement of Net Position – Sewer Fund and Municipal Authority**  
**December 31, 2022**

	Sewer	Municipal Authority	Eliminations	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 307,838	\$ 199,939	\$ -	\$ 507,777
Accounts receivable, net	242,042	-	-	242,042
Leases receivable	-	43,093	(43,093)	-
Prepaid expenses	3,581	-	-	3,581
Total assets	553,461	243,032	(43,093)	753,400
<b>Noncurrent assets</b>				
Capital assets not being depreciated:				
Construction in progress	2,934,757	-	-	2,934,757
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	215,221	-	-	215,221
Sewer plant	-	7,431,425	-	7,431,425
Vehicles	44,854	-	-	44,854
Right-to-use asset - equipment	2,474	-	-	2,474
Less accumulated depreciation and amortization	(298,668)	(4,642,910)	-	(4,941,578)
Net pension asset	11,063	-	-	11,063
Leases receivable	-	273,618	(273,618)	-
Restricted cash	3,572,658	-	-	3,572,658
Total noncurrent assets	8,094,289	3,101,665	(273,618)	10,922,336
Total assets	8,647,750	3,344,697	(316,711)	11,675,736
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	35,737	-	-	35,737
Total assets and deferred outflows of resources	\$ 8,683,487	\$ 3,344,697	\$ (316,711)	\$ 11,711,473
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 136,070	\$ -	\$ -	\$ 136,070
Accrued wages payable	2,544	-	-	2,544
Accrued interest payable	52,283	-	-	52,283
Due to other funds	2,304,354	-	-	2,304,354
Long-term liabilities: Due within one year				
Bonds and notes payable, net	193,521	-	-	193,521
Compensated absences	16,542	-	-	16,542
Lease obligations	532	-	-	532
Total current liabilities	2,705,846	-	-	2,705,846
<b>Noncurrent liabilities</b>				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	6,372,815	-	-	6,372,815
Compensated absences	16,542	-	-	16,542
Lease obligations	1,432	-	-	1,432
Total noncurrent liabilities	6,390,789	-	-	6,390,789
Total liabilities	9,096,635	-	-	9,096,635
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	93,708	-	-	93,708
Deferred inflows related to lease obligations	-	309,068	(309,068)	-
Total deferred inflows of resources	93,708	309,068	(309,068)	93,708
<b>Total liabilities and deferred inflows of resources</b>	<b>9,190,343</b>	<b>309,068</b>	<b>(309,068)</b>	<b>9,190,343</b>
<b>NET POSITION</b>				
Net investment in capital assets	151,975	2,828,047	-	2,980,022
Unrestricted	(658,831)	207,582	(7,643)	(458,892)
Total net position	(506,856)	3,035,629	(7,643)	2,521,130
Total liabilities, deferred inflows of resources, and net position	\$ 8,683,487	\$ 3,344,697	(\$ 316,711)	\$ 11,711,473

**BOROUGH OF ORWIGSBURG**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Sewer**  
**Fund and Municipal Authority**  
**Year Ended December 31, 2022**

	<b>Sewer</b>	<b>Municipal Authority</b>	<b>Eliminations</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 872,986	\$ -	\$ -	\$ 872,986
Total operating revenues	<u>872,986</u>	<u>-</u>	<u>-</u>	<u>872,986</u>
<b>OPERATING EXPENSES</b>				
Personal services	68,802	13,651	-	82,453
Contractual and professional services	65,447	4,500	-	69,947
Maintenance	57,227	15,460	-	72,687
Supplies and administrative expense	62,338	204	-	62,542
Insurance premiums	8,698	-	-	8,698
Utilities	54,834	-	-	54,834
Depreciation	<u>62,931</u>	<u>144,590</u>	<u>-</u>	<u>207,521</u>
Total operating expenses	<u>380,277</u>	<u>178,405</u>	<u>-</u>	<u>558,682</u>
Operating income (loss)	<u>492,709</u>	<u>(178,405)</u>	<u>-</u>	<u>314,304</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	71,369	47	-	71,416
Other nonoperating revenues	425	-	1,000	1,425
Gain/(loss) on sale of capital assets	-	(320,163)	-	(320,163)
Intergovernmental revenues (expenses)	(50,400)	59,043	(8,643)	-
Bad debt expense	(4,000)	-	-	(4,000)
Interest expense	<u>(242,563)</u>	<u>-</u>	<u>-</u>	<u>(242,563)</u>
Total nonoperating revenues (expenses)	<u>(225,169)</u>	<u>(261,073)</u>	<u>(7,643)</u>	<u>(493,885)</u>
Income (loss) before transfers	267,540	(439,478)	(7,643)	(179,581)
Transfers in	2,028,208	-	-	2,028,208
Transfers out	<u>(2,064,878)</u>	<u>-</u>	<u>-</u>	<u>(2,064,878)</u>
Change in net position	230,870	(439,478)	(7,643)	(216,251)
Total net position - beginning	<u>(737,726)</u>	<u>3,475,107</u>	<u>-</u>	<u>2,737,381</u>
Total net position - ending	<u>\$ (506,856)</u>	<u>\$ 3,035,629</u>	<u>\$ (7,643)</u>	<u>\$ 2,521,130</u>